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C O N F I D E N T I A L KUWAIT 000239

SIPDIS

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SUBJECT: KUWAIT: FINANCE MINISTER SUBMITS RESIGNATION

REF: A. KUWAIT 99  
    B. 02 KUWAIT 3042  
    C. 02 KUWAIT 3067

Classified By: Ambassador Richard H. Jones for reasons 1.5 (B) and (D).

1. (U) Dr. Yousef Hamad Al-Ibrahim has submitted his resignation from his current posts as Minister of Finance, Minister of Planning, and Minister of State for Administrative Development. While some papers claim that the resignation has been accepted, Minister of Information Shaykh Ahmed Fahed Al-Sabah is quoted as saying that the resignation letter is before the Crown Prince and Prime Minister Shaykh Saad Al-Abdullah Al-Salem Al-Sabah and that no decision has yet been taken. Al-Ibrahim survived a legislative 'grilling' in June 2002 and a subsequent no-confidence vote (refs B and C).

2.(C) According to Press reports and Embassy contacts the Finance portfolio will be handed temporarily to Minister of State for Foreign Affairs Shaykh Dr. Mohammed Sabah Al-Salem Al-Sabah, a Harvard Ph.D. in Economics and former Ambassador to the United States. Other reports indicate the Planning and possibly the Administrative Development portfolios will go to Minister of Education Dr. Musa Al-Haroun, a Ph.D. from Indiana University. The Assignments are likely to remain in effect until a new government is formed after mid-year Parliamentary elections.

3.(C) Dr. Al-Ibrahim has been widely regarded as one of the most positive voices for economic reform in the current government; Embassy contacts in the Finance Ministry and its affiliated agencies (such as the Kuwait Investment Authority and the Higher Committee for Economic Development and Reform) regularly praised Al-Ibrahim as honest, talented, and committed to a vision of a sound economic infrastructure. While sources tell us that they believe Shaykh Dr. Mohammed is an excellent choice for the position, they believe that his double portfolio will significantly impair his effectiveness.

4.(C) Dr. Al-Ibrahim's resignation came shortly after he was threatened with another parliamentary 'grilling' over the Finance Ministry's role in a housing-development scandal known as the Kheiran Pearl (ref A) which predates his tenure. A grilling on that scandal is scheduled for next week, but the primary target for want of a better choice is Deputy Prime Minister and Minister of State for Cabinet and National Assembly Affairs Mohammed Sharar. The Kheiran case could severely tarnish the Al-Sabah's image, as the deal appears on its face to indicate very poor stewardship of public lands. The beneficiary of State largesse in the case is a close friend of the Amir.

5.(C) Comment: The Cabinet has begun gradually to disintegrate. This process is likely to accelerate as elections approach. For example, Ministers Talal Al-Ayyar (Electricity and Water/Social Affairs and Labor), Salah Khorshid (Commerce and Industry), Fahd al-Lumaei (Public Works/State Minister for Housing Affairs) and Ahmad Al-Baqer (Justice/Awqaf and Islamic Affairs), all elected members of the National Assembly, are expected to resign at least two to three months prior to the next parliamentary elections in mid-2003. With another grilling scheduled to commence shortly, we expect the Government will go even deeper into its holding pattern until after the elections and the formation of a new Cabinet. End Comment.

JONES